



TESTIMONY

OF

Bonnie Cramer

On behalf of

AARP

Before the

Senate Committee on Commerce, Science, and Transportation

USF Contributions

February 28, 2006

106 Dirksen Senate Office Building

Washington, D.C.

Good morning. Mr. Chairman and members of the Committee, my name is Bonnie Cramer and I am a member of AARP's Board of Directors. Thank you for this opportunity to testify today on behalf of AARP, regarding the importance to consumers of the universal service fund (USF). Our concern centers on consumers' contribution to the USF. At a time when the rising costs for energy, medical care, transportation, and other basic needs are pushing older Americans monthly budgets to the limits, every dollar can make a significant difference.

The goal of universal service has been a significant national policy for more than 80 years. It is based on a set of general principles including access to and use of quality telecommunications services at affordable rates, access to advanced services (especially for schools, health care facilities and libraries), access to services in rural and high-cost areas, equitable and non-discriminatory contributions by telecommunications providers to a universal service fund, and specific and predictable support mechanisms.

The federal USF subsidizes service to high-cost areas, low-income consumers, schools, libraries and rural health care facilities. Total funding for the USF has grown from \$1.8 billion in 1997 to well over \$6 billion in 2004.

My remarks this morning will focus on five critical points for mid-life and older Americans regarding contributions to the USF:

- 1) Achieving universal service for all consumers should be a top priority;
- 2) Any mechanism designated for the USF contribution must protect the interests of low-income consumers and should hold low-volume consumers harmless;
- 3) All voice communications providers should contribute to the USF;
- 4) The two major programs for low-income consumers (Lifeline and Link-up) are a fundamental component of the USF; and
- 5) Advanced technologies that present new challenges in delivering services to all Americans.

1) **Achieving universal service for all consumers should be a top priority.**

Telecommunications services are essential to modern life. For older Americans in particular, the ability to contact police, fire, medical and other services in times of emergency is absolutely necessary. The universal service program recognizes the value of connecting everyone to these life saving services, as well as the importance of connecting each of us to one another. Telecommunications services are not only a lifeline for mid-life and older Americans, but they also serve as an essential component of our work, family life and entertainment.

2) **Any mechanism designated for the USF contribution should protect the interests of low-income consumers and must hold low-volume consumers harmless.**

AARP understands the need to adequately fund the universal service program. While sufficient funding of the program is of critical importance, the goal must not be achieved by harming the very population the fund seeks to help. We must not unduly burden low-income or low-volume long distance consumers. We believe the funding goal can be met by retaining the current contribution mechanism and by restraining the size of the fund.

We contend that the current revenue-based mechanism is both equitable and non-discriminatory. The existing funding mechanism does not penalize consumers who make few or no long distance telephone calls. Under some of the proposed funding mechanisms, these low-volume long distance service consumers would be required to pay the bulk of the funding for universal service.

AARP is concerned that a shift away from a pay-for-what-you-use system to a regressive numbers-based plan as one proposal suggests, would unduly harm low-volume, long-distance consumers. Many of these low-volume, long distance consumers are older Americans on fixed-incomes. It is unfair for consumers who have low long distance monthly bills to pay larger USF fees, raising their overall monthly telephone bill.

Is it fair for Bill Gates and Aunt Edna, an 86 year-old living on a fixed-income, pay the same amount for their universal service fee on their monthly bill? If Bill Gates makes many more long distance calls now, he pays more to the fund and that seems to be the

equitable way to manage contributions. Aunt Edna shouldn't have to bear any greater burden to sustain the Fund.

AARP also asserts that the fund size can be constrained by limiting federal universal service support from the high-cost fund to a single line for each household. This step would prevent the excessive and unnecessary future growth in the fund resulting from supporting all lines provided by all eligible telecommunications carriers.

3) All voice communications providers should contribute to the Universal Service Fund.

Ensuring that all Americans have ready access to affordable, reliable, and high quality voice telecommunications service is critical to the health, welfare and economy of the country. This is true no matter what technology is used to provide the service. In fact, from a consumer's perspective, any service that is marketed as a voice telephone service and interconnects with the public switched telephone network (PSTN) is a telecommunications service. In this regard, the only equitable, non-discriminatory and technology-neutral way to collect universal service contributions and produce a sufficient base of support is to require all carriers that benefit from their ability to connect customers over the public switched network to contribute.

4) The two major programs for low-income consumers (Lifeline and Link-up) are a fundamental component of the USF.

The Lifeline and Link-up programs offer financial assistance to low-income consumers, ensuring all consumers have the opportunity to remain connected to essential telecommunications services. While these programs preserve and enhance universal telephone service, they unfortunately only serve a small portion of the low-income population, with less than 30% of income-eligible households participating in the Lifeline program.

The Federal Communications Commission (FCC) and the National Association of Regulatory Utility Commissioners (NARUC) have initiated a program, “Lifeline Across America” to aid consumer awareness of these two assistance programs. Consumer awareness will certainly serve as an important first step to increasing enrollment in the Lifeline and Link-up programs. “Lifeline Across America” is planning activities, such as distributing bilingual outreach materials to targeted audiences, and educating state and local government offices about the Lifeline and Link-up eligibility requirements and procedures. These programs will help inform consumers about the discount programs and AARP looks forward to working with the FCC and NARUC to implement this effort.

While increasing consumer awareness of the assistance programs is an important step to addressing the underserved low-income population, AARP supports additional measures to increase enrollment. For example, automatic enrollment into the Lifeline program for all consumers who participate in other designated need programs would greatly increase the participation rate in these telephone discount programs.

We also urge the FCC to report data with estimates on the percentage of households in each state and nationally who are eligible for Lifeline and Link-Up, along with the most recent corresponding data that shows the number of households that participated in these telephone assistance programs.

5) Advanced technologies present new challenges in delivering services to all Americans.

While this Committee considers the contributions to, and distribution of, the universal service fund, AARP suggests that this Committee consider a related issue of growing interest to our members.

Improvements in technology over the past two decades have led to an array of new and better services, as well as profound social and economic benefits for many people. Consumers are accessing the Internet to connect with family, friends and colleagues, searching for information, and shopping on-line.

AARP recognizes that the benefits of ubiquitous and affordable access to broadband networks are of particular value to mid-life and older Americans. For example, with a broadband connection to support monitoring devices and interactive video, home health care becomes a viable option for many consumers, particularly those with limited mobility or those who may not be well enough to travel. A broadband connection also facilitates distance learning opportunities, and telecommuting, a particularly attractive option for older workers. The Internet can connect older Americans to their community

and their family. For example, a broadband connection can facilitate older Americans desire to “keep connected” to loved ones in our ever mobile society, allowing grandparents to send and receive pictures and videos of loved ones and more actively participate in lives of their children and grandchildren. The Internet can also provide a broad array of entertainment options.

Currently, more than half (53%) of all consumers who use the Internet from home do so through broadband technology, allowing consumers to access a greater range of voice, video and data services. However, for older Americans, age 65 and above, only about 25% access the Internet with a broadband connection; the remainder still rely on dial-up access.

What are the reasons for this digital divide? Are there public policies that can provide better prices and greater access to these services to help increase broadband use among older Americans? AARP is interested in learning more about this divide that is serving as a barrier for older Americans.

Bridging this digital divide is a significant issue for AARP and we urge policymakers to make affordable, high-speed broadband a national priority and to consider ways to create an aggressive deployment strategy that includes specific targets in terms of broadband penetration coverage and usage. We look forward to working with the members of this Committee to help establish the United States as a leader in providing all consumers with access to the fastest and most affordable broadband services.

Conclusion:

In summary, AARP is a strong supporter of the universal service fund and the essential services it sustains. We look forward to working with the Members of this Committee to craft policy to best meet the needs of mid-life and older Americans, and especially those from within traditionally underserved communities.